

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **VICE-CHAIRMAN BOB DEPRATU**, on January 11, 1999
at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: Sen. Jon Ellingson (D)

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 25, 1/11/1999; SB 88,
1/11/1999; SB 61, 1/11/1999
Executive Action: None

HEARING ON SB 25

Sponsor: SENATOR DARYL TOEWS, SD 48, LUSTRE, MT

Proponents: None

Opponents: Mike Voeller, Lee Newspapers, Montana Newspaper Association

Riley Johnson, Montana Broadcasters Association

Neil Peterson, Department of Revenue

Gordon Morris, Montana Association of Counties

Opening Statement by Sponsor:

SENATOR DARYL TOEWS, SD 48, Lustre, introduced **SB 25** as being a bill prohibiting county governments from publishing delinquent taxpayer lists containing the names of persons who are less than two years delinquent in paying a county real property tax.

Proponents' Testimony: None

Opponents' Testimony:

Mike Voeller, Lee Newspapers in Montana and the Montana Newspaper Association, said that his main concern with the bill was that the word "publish" could cause some confusion as to what is permitted to be published in the future. He said that his organizations are comfortable with the legislation as long as the record shows that the intent is that it only prohibits county governments from paying for advertisements in newspapers or the broadcast media. This information is still a matter of public record and should be available to the media.

Riley Johnson, Montana Broadcasters Association, said that they had the same concerns as expressed by **Mr. Voeller**.

Neil Peterson, Process Lead, Customer Service Center, Department of Revenue, stated that the department is in opposition to **SB 25**.

Gordon Morris, Director, Montana Association of Counties, also appeared in opposition to the legislation. He said it is the association's experience that there are many counties using this method for collecting delinquent taxes, and the association feels that it is an essential process in getting the information out and making collections.

Questions from Committee Members and Responses:

SEN. STANG asked **Mr. Peterson** why the Department of Revenue would oppose this legislation. **Mr. Peterson** replied that the department currently publishes a list of its top 50 delinquent

taxpayers, and that list is shared with newspapers and appears on the department's web site. He said this program has been very successful in collecting delinquent taxes, and it is the department's understanding that this legislation would prohibit counties using government funds for such activity. The department is concerned that that could extend to the department doing that as well.

SEN. STANG then stated that **SEN. TOEWS** had mentioned in his introduction one particular county which accepts a partial payment on taxes. It was **SEN. STANG'S** understanding that if you have delinquent tax, you have to pay the farthest delinquent year in whole first before you can pay your current year's taxes. He asked how a county could take partial payment and what ramifications that might have. **Mr. Morris** indicated that the statutes expressly prohibit taking partial payment. He said if it's being done, it's being done contrary to statute.

SEN. ELLIS asked **SEN. TOEWS** why the state should intervene if, in fact, more counties are using this practice. It appears that this would be a local matter and the appropriate action might be to simply vote out county commissioners on the local level. **SEN. TOEWS** replied that the League of Counties had provided him with a list of counties that were using this practice, and that those counties had been called. He said of that list, not one county had ever done this as quickly as had been done in Valley County. Those counties had done it at the third year, and that's acceptable.

SEN. EKEGREN then asked **Mr. Peterson** about the list that the department publishes and whether that was for each county or the entire state. **Mr. Peterson** replied that that would be for the entire state and covers all of the receivables that the department currently collects on.

Closing by Sponsor:

SEN. TOEWS indicated that the important thing in this whole debate is that the Department of Revenue deals with taxes that are currently due and can be collected. He stated that the difference to be noted was that real property should only be dealt with in this manner after the third year.

***{Tape : 1; Side : A; Approx. Time Counter : 1 - 17; Comments :
Close of hearing on SB 25.}***

HEARING ON SB 88

Sponsor: SENATOR BARRY "SPOOK" STANG, SD 36, ST. REGIS

Proponents: Brenda Nordlund, Department of Justice

Pat McKelvey, State Tax Appeal Board

Opponents: None

Opening Statement by Sponsor:

SENATOR BARRY "SPOOK" STANG, SD 36, St. Regis, summarized SB 88 as being a proposal requested by the Department of Justice which rectifies a situation created by the last session wherein taxes assessed against motor vehicles were taken out the Department of Revenue and moved to the Department of Justice. He said this proposed legislation would provide that the Department of Justice would be the proper party to defend tax appeals involving motor vehicle taxes or fees in lieu of tax. It would also create a procedure for motor vehicle tax appeals, and would provide that protested motor vehicle taxes and fees need not be paid into the property tax protest fund. It would also provide for the refund of motor vehicle taxes and fees when the taxpayer prevails in an appeal.

SEN. STANG indicated that this legislation may need to be modified should other legislation before the session be passed which also affects how this process would be handled.

Proponents' Testimony:

Brenda Nordlund, Department of Justice, provided a fact sheet explaining the reasons behind this particular legislation EXHIBIT (tas07a01) and a list of 1997 vehicle tax appeals received by the Department of Justice EXHIBIT (tas07a02). Ms. Nordlund explained that the 1997 Legislature changed the way passenger cars, light trucks, vans and sport utility vehicles are valued for tax purposes. The new system uses a vehicle's "manufacturer's suggested retail price" as the benchmark for vehicle valuation and then depreciates the value to reflect the vehicle's age. She said the law also transferred the function of assessing vehicles for tax purposes from the county assessor to the Department of Justice. However, the legislation overlooked the need to realign the duty to defend a vehicle tax assessment if a vehicle owner files a tax appeal, and to adjust tax appeal statutes to deal with the differences in assessing motor vehicles as compared to other types of property assessed by the Department of Revenue. SB 88 is intended to correct these oversights.

Ms. Nordlund also indicated that **SB 88** was drafted based on what the current law is in terms of the operation of county tax appeal boards. Because the State Tax Appeal Board has requested separate legislation to amend provisions relating to the filing and hearing of appeals before a county tax appeal board (**HB 82**), it may be necessary to propose amendments to **SB 88** to ensure effective coordination with **HB 82**.

In reference to **SB 88**, **Ms. Nordlund** stated that this legislation would establish a uniform deadline for filing a vehicle tax appeal that coincides with the vehicle's anniversary date for reregistration. This bill would also allow the Department of Justice, in consultation with the State Tax Appeal Board, to define the form a tax appeal application must take and require a taxpayer to specifically explain the basis of the tax appeal in relation to the factors the law sets out for determining a vehicle's taxable valuation.

In addition, **Ms. Nordlund** said that **SB 88** would provide an exception to the current requirement that a county treasurer deposit in a special protest fund the portion of taxes and fees paid under protest in conjunction with a tax appeal. Instead, vehicle taxes or fees paid under protest would be distributed in the same manner as those received without protest. If a taxpayer prevails in a tax appeal, the taxes or fees would be refunded.

Ms. Nordlund also explained that **SB 88** would clarify when motor vehicle tax appeals must be filed in order to be heard in a county tax appeal board's regularly scheduled session. This is necessary because an appeal is deemed granted on the day following the board's final meeting for a year if the board fails to hear an application that was filed in a timely manner. She said **SB 88** would require that vehicle appeals filed at least 30 days prior to the beginning of a county tax appeal board's regularly scheduled session would be heard during that session. Appeals filed less than 30 days prior to the session or after the commencement of the session would be held over until the next year's session. A vehicle tax appeal that had not been heard by the county tax appeal board within two years of its filing would be considered granted.

Pat McKelvey, State Tax Appeal Board, explained that this legislation is necessary to clarify how county tax appeal boards handle vehicle tax appeals. The legislation mentioned previously, **HB 82**, is going to change the session length of the county tax appeal board if it is successful. As stated by **Ms. Nordlund**, part of the problem is that taxpayers need to know when an appeal can be filed and whether it can be heard by the county tax appeal board in a timely fashion. County tax appeal boards

presently only serve 60 days. It is felt that by extending their session length to six months, to begin July 1 and end December 31, will allow them to do that.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. ECK questioned **Brenda Nordlund** about what the bases of the 1997 appeals were. **Ms. Nordlund** explained that the basis for appeal was often, "These taxes are too high." They were questioning how it was figured and why it was so high.

SEN. GLASER asked **Ms. Nordlund** if she felt that these people filing appeals were angry people. **Ms. Nordlund** stated that one of these people was clearly angry, but the others were more concerned that it was correct and how it was figured. She stated that, as demonstrated in her handout, there were very few appeals when you consider how many vehicles there are statewide.

Closing by Sponsor:

SEN. STANG reiterated that it's important that the taxpayers are given a friendly and simple way to appeal taxes. He did suggest that perhaps 30 days after the due date might be better than the actual due date because most people don't really think about appealing until they have gone to reregister their vehicle.

*{Tape : 1; Side : A; Approx. Time Counter : 17 - 36; Comments :
Close of hearing on SB 88.}*

HEARING ON SB 61

Sponsor: SENATOR ALVIN A. ELLIS JR., SD 12, RED LODGE

Proponents: Dennis Burr, Montana Taxpayers Association

Alec Hansen, League of Montana Cities and Towns

Riley Johnson, National Federation of Independent
Businesses and Montana Broadcasters Association

Opponents: Margaret Morgan, Montana Association of Realtors

Ron deYoung, Montana Farmers Union

Ronda Carpenter, Montana Housing Providers

Informational Testimony: SEN. BARRY "SPOOK" STANG**Opening Statement by Sponsor:**

SENATOR ALVIN ELLIS JR., SD 12, Red Lodge, presented the committee with two handouts. The first was entitled "The Cal-Tax Research Bulletin," November 1993 **EXHIBIT(tas07a03)**, and a sheet entitled "Major Options, Acquisition Value Alternative" **EXHIBIT(tas07a04)**. He then introduced **SB 61** as a Constitutional amendment to put before the voters the option of valuing their property on acquisition value for property tax purposes. Under the acquisition approach, real property, such as a home or business or an industrial plant, is valued for tax purposes at market value as of some base year, or if the property is sold since the base year, the value at which it was acquired by the new owner. Thus, the term "acquisition value."

SEN. ELLIS said that generally there is some annual nominal change allowed in the base value. For example, in California, the annual rate of change in the base value for property tax purposes is inflation as measured by the Consumer Price Index or 2%, whichever is less. In Florida, the maximum change is 3% of the CPI. In either state, the base value of property calibrated by the annual adjustment factor cannot exceed market value plus the adjustment factor. This legislation is proposing a 1% increase.

SEN. ELLIS stated that while an acquisition value system can result in similar property within the same jurisdiction being taxed at highly different levels, the literature indicates that the method has ample support among taxpayers within jurisdictions that have adopted the policy. It also indicates that there is less disparity in properties valued at acquisition value than there was prior to the enactment in California for adjacent properties.

SEN. ELLIS emphasized that this alternative for property tax valuation would apply the acquisition value method to residential, commercial and industrial real estate and improvements, but not to agricultural land, and would be adjusted annually at the lesser of the CPI inflation or 1%. At implementation, the base value would be the assessed value for a predetermined specific tax year. If the property was bought or sold after January 1 of that tax year, the base value would be the price at which the new owner acquired the property. If improvements are made to the property, they would be valued at the market value as of the date of the improvement. The value of the improvements would be assessed each year separately from the base value of the property and other improvements.

According to the proposal, **SEN. ELLIS** indicated that commercial and residential property initially would be treated the same, vis-a-vis base value and annual adjustments. However, if a commercial property has not been bought or sold within the most recent 20-year period, the Department of Revenue is required to appraise the property at the then-current market value and record the newly determined value as the assessment value for property tax purposes. In contrast, residential property would retain the base-year value until the property was bought or sold or otherwise improved.

This measure was proposed by the Interim Property Tax Committee as a result of **SB 195**. **SEN. ELLIS** said he feels that this is the most viable alternative to the present practice of reappraisals which create tax shifts that tend to cause a great deal of the resentment toward property taxes in this state. Historically, new values are put in place and then the statewide average of what those values have gone up is used to reduce the multiplier that affects class four property taxes. The result of this is in areas where you have high inflations of those values, those values still go up and the taxes still go up. Areas where you have little or no increase in values, or possibly a decrease in values, get the benefit of the reduced multiplier. **SEN. ELLIS** said this is important because only about one-fourth of the taxes we pay in this state are used by the state to equalize education. That is, they go through the state budget process and come back out to various taxing jurisdictions in school districts. The remainder is assessed locally. Therefore if you have a property tax class that because of inflation in some other area the multiplier decreases, the tax obligation decreases. That means that other classes of property in that area have to face a higher burden.

SEN. ELLIS stated that to his knowledge, acquisition value is the only tax method that deals with each property individually. Purchasers know what their tax is going to be. He said that acquisition value gives a more gradual but steady increase in property tax returns to taxing jurisdictions because when a property sells, in spite of a recession, it will probably sell for more than the last time it sold.

Proponents' Testimony:

Dennis Burr, Montana Taxpayers Association, spoke in favor of **SB 61**. He said that it's becoming increasingly clear that if something is going to be done about the property tax situation, it's going to have to be done through a Constitutional amendment. He stated that the main advantage of the acquisition value method is the consistency and the predictability of tax amounts. **Mr.**

Burr covered some of the changes that have taken place in California that water down the acquisition value portion of Proposition 13, but the consistency of allowing only a 2% increase in value every year gives the homeowner or the small business person consistency in tax treatment, and he said he feels that that is the real value of the measure. **Mr. Burr** stated that whether you use the acquisition value or simply limit the increase in value, it acts to solve one of the **SB 195** problems, and that is that if property goes down in value, it goes down in value. It can go down. However, it can't go any higher than its market value. If the market value should increase, then it only goes up 2% a year.

Mr. Burr stated the separation of commercial property and residential property has always been an issue among the business community, and they would prefer to see property in class four all treated the same. He also reminded everyone that this amendment will have to be brought before the voters.

Alec Hansen, League of Cities and Towns, introduced a letter from Mayor Mike Kadas from Missoula who wanted to testify but was unable to attend **EXHIBIT (tas07a05)**.

Mr. Hansen stated that managing the property tax situation has been an ongoing problem. There have been many proposals over the years, and each one of those proposals ran into the Constitutional language with regard to equalization. Acquisition value could not be considered without a constitutional amendment.

Mr. Hansen indicated that this proposal of acquisition value would make the taxpayer aware of exactly where the tax amount is derived and how much it will be. In addition, the option of allowing the tax base to expand allows local governments to stay in business. **Mr. Hansen** did suggest that property, if it is not sold, should be revalued using some reliable method every 15 years, or perhaps all property in class four could be revalued every 20 years. He also felt that care should be taken in listing the 1% in the Constitution. He suggested that figure be more flexible in order to accommodate the possibility of rising inflation.

Riley Johnson, National Federation of Independent Businesses, reiterated that small business does not support separation of commercial and residential property. The NFIB recommends that all class four properties be treated the same.

Mr. Johnson then went on to describe a recent survey NFIB did of its nearly 8000 members in the state of Montana on selected issues. The survey was sent out in October and returned in

December. The purpose of the survey was to obtain the initial reaction of small business to various tax options. Option no. 1 was the acquisition value based on a year certain which had a 17% approval rating. Option no. 2 was a combination plan that would lower slightly property tax rates on homes and business properties, decrease slightly the statewide mill levy for education, and exempt 25% of the first \$100,000 or less of appraised value of real estate from property taxes. This option received a 23% approval rating. Option no. 3 was a 4% sales tax on most goods and services with proceeds used to reduce property taxes, which had a 33% approval rating. Option no. 4 was to keep the current system of reevaluation every three years and levy taxes based on appraised value of residential and business property, which received an 8% approval rating. The last option was "other," and left space for suggestions. Almost 20% had "other" choices, but approximately 80% of those favored the 4% sales tax with elimination of property taxes rather than a reduction of property taxes.

Opponents' Testimony:

Margaret Morgan, Montana Association of Realtors, testified that **SB 61** is a proposal that Montana voters rejected five years ago. She stated that a lot of things have changed in the last five years, but one thing has not: Montanans still want tax reform, not more tax shifts. Acquisition value would use the currently confidential purchase price for the taxable value of a property. This measure was defeated in 1994.

Ms. Morgan indicated that the acquisition value form of taxation will act as a deterrent to the creation of jobs in Montana and treat new business unfairly. She testified that new business and relocating business would take on a higher percentage of property taxes which would make it more difficult for them to compete in an open and free marketplace, and acquisition value discourages the expansion of businesses by taxing their growth and mobility at a higher rate.

Ms. Morgan also stated that in order to own a home in Montana, young families will have to be able to shoulder an increasingly disproportionate share of the state's property taxes. Affordable housing will become harder to find by the very people that need it most. Acquisition value also hits the elderly who want to downsize out of larger homes. Over a period of time, the disparity of property taxes would become more and more magnified as homeowners residing side by side, using identical services in virtually identical homes, pay increasingly different amounts of taxes depending only on when that home last sold.

**{Tape : 1; Side : A; Approx. Time Counter : 36 - 74; Comments :
End of Tape 1, Side A}**

Ms. Morgan pointed out that in discussing tax reforms and the need to boost Montanans' economic growth, we have talked about the need to broaden our tax base. Acquisition value actually decreases or narrows the tax base, those that are shouldering the biggest burden of the tax base. She also suggested that every time someone is exempted, the elderly, the young, an inheritance, et cetera, that tax base is narrowed and fewer people take on a higher share. **Ms. Morgan** said that a lot of things can be done to make acquisition value Constitutional, but that it cannot be made fair and equitable.

Ms. Morgan presented a letter to the committee after the meeting from **Rod Wilson, 1998-1999 President, Montana Association of Realtors EXHIBIT(tas07a06)**. A letter from the Montana Association of Realtors to **SEN. STANG** dated September 8, 1998, was provided after the meeting, **EXHIBIT(tas07a07)**.

Ron deYoung, Montana Farmers Union, testified that his organization is concerned about the fairness of using the acquisition value tax method when applied to agriculture. He cited the example of two farms, one an old, established farm and the other owned by a young farmer who has just acquired the property. The young farmer would be required to pay a higher tax with less ability to pay. It increases his competition with his neighbor.

Mr. deYoung also gave the example of a corporate entity versus a sole proprietorship. The players in the corporation may change, but the ownership does not. In the sole proprietorship, when the players change, the ownership changes. The corporation may well pay lower property taxes than the sole proprietor.

Ronda Carpenter, Montana Housing Providers, stated that her organization represents about 1000 members around Montana who oppose **SB 61**. She said that 30% of Montana households, most of which are the lowest income households in Montana, reside in rental property. That makes what the market will bear relatively low. Acquisition value property tax would cause major inequities in fixed costs between competing housing providers. It would discourage new investors from buying or building new rental property. It would also make selling properties in the future more difficult. If it becomes too difficult to sell properties, those properties can be taken out of the rental market, thereby decreasing the housing supply.

Informational Testimony:

SEN. STANG suggested that the committee take the time to review the report by the Interim Property Tax Committee. He said that report details the process the committee went through and will answer some of the questions that both proponents and opponents have asked. He also said that Mr. Bohyer, the staff person for the committee, or any of the committee members who were part of the interim committee, **CHAIRMAN DEVLIN, SEN. ELLIS** and **SEN. STANG**, could be of help.

Questions from the Committee and Responses:

SEN. GLASER asked **SEN. ELLIS** why the words "certain property" were included in the title of the proposed Constitutional amendment, since it seems that it was the intention of the legislature to put any or all property on acquisition value, and could include any or all of the 12 classes of real or personal property in the state. **SEN. ELLIS** said that it was not the intention at any time to put anything other than class four property under this, and that there would be no problem in limiting the amendment to class four property. He did say that the legislature can expand or modify the realm of class four property any way it so determines, so he was not sure how much protection would be provided by limiting it that way. **SEN. GLASER** reiterated that it appeared from the reading that it leaves to the legislature to do whatever they want with acquisition value for any taxed property, and he felt that should be narrowed perhaps by limiting it not to class four property but to a particular type of property.

CHAIRMAN DEVLIN asked **SEN. ELLIS** to clarify that agricultural lands were not included, although that is also not specified in this amendment but might be in the companion bill. **SEN. ELLIS** stated that the companion bill is more extensive and it does deal with only class four properties. He said that this type of proposal is not intended for agriculture, would not work for agriculture and would be detrimental to agriculture.

SEN. BOHLINGER questioned **SEN. ELLIS** about the concerns raised by **Ronda Carpenter** of the **Montana Housing Providers** regarding inequities of the tax when applied to newer rental properties as compared to older properties. He asked whether this could cause a burden for the renting population, many of whom are poor. **SEN. ELLIS** replied that he didn't believe the new taxing method would change the status quo. Present costs involved in building or buying this type of property all influence the competition with older, established properties.

SEN. BOHLINGER stated that his concern was not with new property that's being developed but for an existing property that has recently sold under acquisition value. He wondered if higher values would translate into higher rents and put that newly purchased property at a disadvantage in the rental market. **SEN. ELLIS** answered that he felt that it's because of the rental market that those properties are selling. The purchasers know what they can rent the property for. Acquisition value offers the buyer a certainty as to what taxes are going to be long range, and the knowledge that they will be fairly stable. He said he believes that it encourages that type of investment.

SEN. BOHLINGER then asked whether this amendment would encourage older, established landlords to raise their rents and cause a spiral in rental costs in the state of Montana. **SEN. ELLIS** suggested that economically he probably already sees that. If the rental market will bear a certain level of rent, that's probably what is being charged presently. The market is what the market is.

CHAIRMAN DEVLIN asked **Ms. Carpenter** whether rents are indeed limited to the \$300 as she cited in her testimony. **Ms. Carpenter** said that \$300 is the maximum rent for that area for one-bedroom apartments. There is no cap, but \$300 is what the market will bear.

CHAIRMAN DEVLIN then asked **Mr. Johnson** about the percentage on option no. 2 on their survey. **Mr. Johnson** stated that the second option was a combination plan that would lower slightly property tax rates on homes and businesses, decrease slightly the statewide mill levy for education, and exempt 25 percent of the first \$100,000 or less of appraised value of real estate property taxes. He said 17% of the responders favored this option.

SEN. ECK said that it appears that what is really trying to be accomplished is to eliminate from the Constitution the requirement that we equalize the valuation. She asked **Brian Smith, Department of Revenue**, what is required at this time to equalize the valuation. **Mr. Smith** answered that under the current Constitution we must use market value as the basis for taxation of property. **SEN. ECK** asked how often that is calculated, and **Mr. Smith** replied that the Constitution does not specify what market value is, the Code specifies what we determine to be market value. The most recent system is a three-year reappraisal cycle; however, that has now been phased in under 50 years as a result of **SB 195**. **SEN. ECK** said that it appears that we're trying to get around that requirement of equalizing the valuation, and perhaps the easiest way to do that would be to take that requirement out of the Constitution.

SEN. ECK then asked **SEN. ELLIS** if the interim committee had considered just striking "equalize the valuation" from the Constitution. **SEN. ELLIS** replied that the committee had not discussed that. The committee was delegated the responsibility of creating alternatives to **SB 195**, and it was felt that that required a higher degree of specificity than removing "equalize the valuation" would imply.

SEN. STANG asked **SEN. ELLIS** whether his companion bill limits the percentage of increase so that it cannot exceed the market value. **SEN. ELLIS** said that is correct. He did clarify that the CPI might be more than the market value increases, but that the homeowner has the opportunity to protest the valuation.

SEN. STANG then asked **Mr. Burr** about his statement that this will have to go to the voters, and whether, if **CI-75** passes, in order to have this 1% increase every year, that it would have to go to the voters yearly. **Mr. Burr** stated that that 1% is not a tax increase, it's a value increase. He said he was not sure whether that would need to be voted upon; however, local governments, if they got that increase, would have to lower their levies so they don't get any more revenue than they got before unless it was voted to allow them to keep the same mill levy.

Closing by Sponsor:

SEN. ELLIS closed by saying that acquisition value taxation is based upon what you pay for your property. It was his suggestion that an appraisal only be made by the state in changes of ownership where there is not an arm's length transaction. He agreed with **Mr. Hansen** that there is frustration with the taxing process on the part of taxpayers and that the acquisition value method provides a slow reevaluation to take place that's generally supported by the populace. **Mr. Johnson** cited how small business people viewed these various proposals by the Interim Property Tax Committee. **SEN. ELLIS** said he felt the reason this method received the least number of votes was because people are not informed about this method. In response to **Ms. Morgan's** comment that this proposal would make housing unaffordable for low-income people, **SEN. ELLIS** said he believes that knowing what the tax amounts will be will only help in the decision-making process when buying a new home. **Ms. Morgan** also said that voters had rejected acquisition value recently. **SEN. ELLIS** agreed, but that it was a much closer margin than they rejected the sales tax, a proposal which realtors favor.

SEN. ELLIS summarized by saying that acquisition value taxation would result in a reduction in tax shifts and would stabilize the

amount of taxes to be paid. He also said he did not favor using acquisition value taxation for agricultural properties.

CHAIRMAN DEVLIN then closed the hearing on **SB 61** and advised the committee that there would be no executive action session.

ADJOURNMENT

Adjournment: 10:55 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas07aad)